

# Corporate Sustainability and Social Entrepreneurship

## Part Two

By: Peter S. Bauman, Esq.

<http://commercialcounselor.com/>

As a purely legal matter, corporate sustainability and social entrepreneurship require that we begin by asking the following question: Does the law of corporate governance permit social good as a primary focus and aim of corporate action?

Some argue yes, claiming that social entrepreneurship, for example, “can increase shareholder value both socially and financially and therefore [such] decisions directly correlate with shareholder profit maximization and are within the scope of corporate governance.” [[Sustainability Meets Profitability](#), November 1, 2007]

Of course, non-profit corporations have existed for some time as corporate vehicles for public or charitable purposes.

But others are taking creative steps to bridge the gap between corporations and non-profit corporations in an attempt to provide a legal entity that more directly allows a business to pursue profit and achieve public benefits, even when such aims directly conflict with one another.

For example, the State of California in 2011 enacted two new forms of corporations, the flexible purpose corporation (Cal. Corporate Code, Section 2500 et seq.) and the public benefit corporation. (Cal. Corporate Code, Section 14600 et seq.)

As noted in an [article](#) published at VentureBeat, both of these legal structures “broaden the duty of a company beyond maximizing shareholder value to include maximizing stakeholder value, such as operating the business in an environmental and social responsible manner.”

As such, these new corporate vehicles can better shield directors and management from shareholder lawsuits that might impact a regular corporation that decides to do social good, if doing so is at odds with the goal of increasing profit and maximizing shareholder value.

For example, public benefit corporations in California may specify a specific public benefit in their articles of incorporation, to include:

- (1) Providing low-income or underserved individuals or communities with beneficial products or services
- (2) Promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business
- (3) Preserving the environment
- (4) Improving human health
- (5) Promoting the arts, sciences, or advancement of knowledge
- (6) Increasing the flow of capital to entities with a public benefit purpose

(7) The accomplishment of any other particular benefit for society

[Cal. Corporations Code, Section 14601(e)]

Likewise, a flexible purpose corporation in California allows directors to specify a “special purpose” which broadens the duties of the board of directors beyond maximizing shareholder value.

Of course, corporations that are not organized using these innovative legal structures may also want to do social good.

Future articles in this series will take a look at how corporate sustainability and social entrepreneurship are being used by corporations that are not formed as public benefit entities, to increase customer loyalty, profits, and overall sustainability.

Read [Part One of this series](#) on Corporate Sustainability and Social Entrepreneurship.

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